

Report of the Director of Finance to the meeting of the Executive to be held on 5 January 2021

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Subject:

CALCULATION OF BRADFORD'S COUNCIL TAX BASE AND BUSINESS RATES BASE FOR 2021-22

Summary statement:

This report estimates the Council's Council Tax and Business Rates bases for 2021-22. These bases in turn determine the amount of taxation raised in 2021-22.

Section A of this report estimates the Council Tax Base. This involves considering: total dwellings in the district; exemptions, discounts and the Council Tax Reduction Scheme among others items.

Section B estimates the Business Rates base, starting with the total rateable value of property used by businesses in the district.

Section C summarises the implications of the tax bases for the 2021-22 revenue budget.

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Portfolio:

Corporate Services

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Overview & Scrutiny Area:

Corporate Services

1. SUMMARY OF BRADFORD'S COUNCIL'S TAX BASE

- 1.1 This report sets the district's 2021-22 Tax Base for Council Tax and Business Rates. This setting is in preparation for the Council's forthcoming budget process.
- 1.2 The Tax Base for Council Tax is an estimate of the number of domestic dwellings in the district. This Tax Base estimate is expressed as a single measure in a mathematical shorthand called Band D Equivalents. The rate of Council Tax, as set by Full Council, levied on these Band D equivalents, then determines the total amount raised.
- 1.3 The actual Council Tax bill received by residents includes amounts also levied on the district's Tax Base by other organisations. These other organisations are: West Yorkshire Police and Crime Commissioner (WYPCC); West Yorkshire Fire and Rescue Authority (WYFRA) and various Parishes. These amounts are collected by the Council on behalf of these other organisations and passed over to them.
- 1.4 The Tax Base for Business Rates measures the amount of commercial property in the district. The Government sets a chargeable rate (the multiplier) against this Business Rates Base. The amounts owing from businesses are then collected by the Council. This collection is apportioned by statute between the Council, the Government and WYFRA.
- 1.5 The district's 2021-22 Tax Bases are set in the context of the pandemic. As a result, the financial impact is to reduce the Tax Bases and create financial uncertainty. Specific examples of this impact are:
 - Reduction in retail activity reducing the Business Rates Base.
 - An increase in unemployment claimants reducing the Council Tax Base.
 - A reduction in housebuilding.

SECTION A: COUNCIL TAX BASE

2 COUNCIL TAX BASE REGULATIONS

- 2.1 The Tax Base is set in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. These Regulations require that the Tax Base is set between 1 December and 31 January.
- 2.3 The Council Tax rate is the amount charged against the Tax Base, which as noted above, is expressed in a shorthand which will be called Band D Equivalents. This Tax rate has to be approved by Full Council, which in Bradford's case will be on Thursday 18th February 2021 (as opposed to the Tax Base, which has to be set by 31 January, see 2.1).

3 NUMBERS OF DOMESTIC DWELLINGS

- 3.1 The first stage of estimating Band D Equivalent Dwellings for 2021-22 is to identify the numbers of what are called Equivalent Dwellings. In October 2020, there were 219,218 domestic dwellings in the district (Appendix A Line 1).
- 3.2 Council Tax exemptions and reliefs apply to some of these dwellings. The effect of these exemptions and discounts is that either a proportion, or the entirety of each dwelling is excluded from the Tax Base calculation. Dwellings numbers adjusted for these exclusions (exemptions and reliefs) no longer represent physical properties, so are known instead as equivalent dwellings. Appendix A Line 2 & 3).
- 3.3 3,783 domestic dwellings are exempt Council Tax, and removed from the Tax Base in their entirety because they are occupied by:
 - (i) Persons with disabilities
 - (ii) Students
 - (iii) Or they are owned by charities and have been vacant for 6 months (see Appendix A, line 2).
- 3.4 A 25% proportion of each dwelling is excluded from the Tax Base calculation for the Single Persons Discount, where the resident lives alone. In October, 74,932 dwellings (out of 219,218) were eligible for this discount. With some other discounts, the impact of the Single Persons Discount is shown in line 4 of Appendix A.
- 3.5 There are some other adjustments to the Tax Base calculation, for example an additional proportion is added where properties attract an empty property premium because it has been empty for prescribed periods (Appendix A, Line 5).
- 3.6 The above adjustments bring the district's Tax Base down to 197,800 Equivalent Dwellings (Appendix A, line 6).
- 3.7 These Equivalent Dwellings are then classified into the different Council Tax Bands, which determine chargeable Council Tax: this also enables the Tax Base to be expressed as the number of Band D Equivalent Dwellings.

4 Band D Equivalent Dwellings

- 4.1 This part of the calculation involves converting the Equivalent Dwellings into Band D Equivalent Dwellings.
- 4.2 As noted above, all dwellings are allocated a Council Tax Band. These range from A to H, according to their value at 1 April 1991. For example, Band H has double the liability of Band D.
- 4.3 Importantly each band has a Council Tax liability that is a *fixed* ratio of Band D. This means dwelling numbers in any band can easily be expressed as an equivalent in Band D. The ratios are illustrated below:

Band	Property Value at 1 April 1991	Fixed ratio to Band D
A	Up to 40,000	6/9ths
B	40,000 – 52,000	7/9ths
C	52,001 – 68,000	8/9ths
D	68,001 – 88,000	9/9ths
E	88,001 – 120,000	11/9ths
F	120,001 – 160,000	13/9ths
G	160,001 – 320,000	15/9ths
H	Over 320,000	18/9ths

4.4 Weighting the Equivalent Dwellings in each band by their ratio to Band D, converts everything into Band D Equivalents.

4.5 After this conversion, Bradford's Band D Equivalent Dwellings becomes 165,418 (Appendix A, line 7).

5 2021-22 COUNCIL TAX PROJECTION

5.1 In order to estimate the 2021-22 Council Tax Base, the District's Band D Equivalent Dwellings have been adjusted as follows:

- A reduction for the Council Tax Reduction Scheme (Council Tax Benefit) of 19,080 Band D Equivalents (Appendix A, line 8).
- A minor adjustment reflecting the impact of appeals against Council Tax liability and the impact of property growth: 32 Band D Equivalents (Appendix A, Line 9 & 11).
- A reduction to take account of uncollectable debt: 3,642 Band D Equivalents.

5.2 As a result, it is proposed to set the Council Tax Base at 142,000 Band D Equivalents. Compared to the current 2020-21 Tax Base of 144,350, this is a reduction of 2,350 Band D Equivalents.

5.3 The 2020-21 Band D Council Tax is £1,427.86. In the event that the Council Tax is increased by 1.99% and there is a potential Adult Social Care Precept up to 3%, the Band D Council Tax will increase to £1,499.11. Assuming this Tax rate, a Council Tax Base of 142,000 would raise £212.873m in 2021-22.

5.4 All budget proposals including Council Tax increases and the Adult Social Care Precept are provisional and are subject to the conclusion of the consultation.

6 OVERALL COUNCIL TAX FINANCING

6.1 Council Tax and Business Rates collected are paid into a standalone pot, which also pays for the amounts (precepts) paid back to the Council, WYP&CC, WYFA and the Parishes.

6.2 To provide budget certainty, the precepts paid out are pre-set according to the Tax Bases approved in this report and the tax rates set either by the Council on 18th February 2021, or at the meetings held by the other organisations. There is a

balancing up at the end of the year between the amount collected and the pre-set amount paid over to Bradford Council. Any deficit in the pot as a result of this balancing up, is repaid in following years

- 6.3 Due to the pandemic, there has been increased unemployment in the district, which has also increased the cost of Council Tax benefit. It is anticipated that mainly due to this increased take-up of Council Tax Benefit, the deficit between Bradford's precept and its share of the actual collection will be £6.4m. There has also been a reduction in housebuilding, which has dampened the normal growth in the Tax Base.
- 6.4 Revised regulations will enable the Council to repay the £6.4m over three years. Therefore, the requirement for a £2.1m deficit repayment in 2021-22 will be included in Bradford's overall budget. The £2.1m amount equates to approximately 1,400 Band D equivalents.

7 PARISHES AND PRECEPTORS

- 7.1 Each Parish in the district raises a precept. The individual Tax Bases on which these precepts are charged are set out in Appendix B and were notified to each Parish provisionally on 20th November 2020.
- 7.2 As noted, the other preceptors are the police and fire. They each raise a precept against the district's 2021-22 Tax Base. Further, they will repay a share of the 2020-21 deficit between the collected amounts and preset amounts paid over:
- Police will repay a deficit of £0.879m.
 - Fire will repay a deficit of £0.295m

8 CONCLUSION

- 8.1 Overall:
- The proposed Tax Base for 2021-22 will be 142,000.
 - It is further proposed the anticipated 2020-21 Council Tax deficit is spread over the next 3 financial years to a value that approximates 1,400 Band D Equivalents.
 - The individual Parish Tax Bases are set out in Appendix B.

SECTION B – ESTIMATION OF THE BUSINESS RATES BASE

9 BUSINESS RATES REGULATIONS

- 9.1 Section B of this report estimates the 2021-22 Business Rates Base.
- 9.2 The Business Rates Base is set by completing and submitting a form (NNDR3) to the Government on or by 31 January 2021.
- 9.3 This form has to be completed using data as at 31 December; so may potentially vary from the estimate in this report, which is necessarily based on earlier data.
- 9.4 The purpose of Section B is to provide Councillors with the most up to date estimate of the Business Rates Base; it further requests that authority is delegated to the Section 151 officer, in consultation with the Council Leader to amend the estimate for the purpose of making the final NNDR3 submission.
- 9.5 Government reform Business Rates has been delayed, with the result that Bradford's share of Business Rates collected in the district remains at 49%.
- 9.6 The district's Enterprise Zone is likely to be completed between May and November 2021-22. However, due to the impact of the pandemic, the new Enterprise Zone is not expected to have a material impact on the 2021-22 Tax Base.

10 AMOUNT OF COMMERCIAL PROPERTY

- 10.1 The Business Rates Base is a measure of the commercial (non-domestic) property in the district. The estimate comprises three main elements:
 - The gross value for tax purposes of commercial property in the district as assessed by the Valuation Office Agency (VOA): called the Rateable Value (RV).
 - The value of discounts granted against this Rateable Value for instance, to small businesses or charities: called reliefs.
 - Some deductions in calculating the overall Business Rates Tax Base, for example to account for difficulties in collecting debt and appeals by businesses against their Rateable Value assessment.
- 10.2 Unlike Council Tax, the tax rate (called the Multiplier) for commercial property is set by Central Government. For 2021-22, the Government has kept the multiplier unchanged at 49.9p.
- 10.3 As noted, due to the pandemic, there is a very high level of uncertainty when estimating tax bases. In particular, retail businesses did not pay Business Rates for 2020-21 only; therefore, the overall impact of the pandemic on these businesses will only become fully clear during 2021-22, when it is likely they will pay Rates once again.

- 10.4 Further uncertainty is caused by the number of appeals awaiting decisions: for example, there is a significant group appeal by NHS hospitals still outstanding.

11 BUSINESS RATES BASE

- 11.1 The estimate of gross Rateable Value in the district has been set at 384m (Appendix C, Line a). Applying the tax rate (multiplier) set by the Government, this rateable value equates to a tax liability of £191.2m for the 2021-22 year.
- 11.2 It is noted that the estimate of gross Rateable value is £6m lower than the 2020-21 Budget and includes a projection for further reductions.
- 11.3 Discounts given to business owners against their tax liability, called reliefs, cost £55.2m.
- 11.4 An assessment has been made around the amount to be set aside to cover potential costs of past appeals by business owners. The Valuation Office has struggled to adjudicate on these appeals during the pandemic and there remains uncertainty around the actual and final costs. An assessment has already been made for uncollected debt.
- 11.5 A small deduction has been made out of the collection to cover the cost of collecting business rates.
- 11.6 After adjustments for appeals and uncollected debt, the estimated collection for 2021-22 is £127.5m. Bradford's share of this collection is £62.4m.

12 2021-22 BUSINESS RATE PROJECTION

- 12.1 The Business Rates Base, as set out above is summarised briefly below:
- Starting point is Gross Rateable Value of 384m: at 2021-22 tax rates this equates in monetary terms to £191.7m.
 - Deductions of £55.2m for reliefs
 - Deduction of £4.7m for appeals
 - Deduction of £3.6m for uncollected debt
 - Deduction of £0.7m to administer rates collection.
 - A final estimated collection of £127.5m: Bradford's share is £62.5m.

13 BUSINESS RATES FINANCES

- 13.1 The 2020-21 anticipated Business Rate deficit has to be paid off in 2021-22 and therefore considered as part of the budget process. At the end of any year, there is a balancing up between the amounts of tax redistributed in advance to the Council or other organisations and the actual collection.
- 13.2 2020-21 has been particularly impacted because of the additional 100% relief granted to retail businesses due to the pandemic. This means that around £55m of additional relief has been taken off the overall collection compared to the budget.

- 13.3 The Council has been compensated by the Government for its share of the cost of this additional relief. Further, the position has been partially eased by the better than expected Outturn on Business Rates at the end of 2019-20. Taking all these factors into consideration, the Council is just £0.9m worse off.
- 13.4 The Council also receives 2021-22 Government grants to compensate the Council for standard reliefs. Overall, it is estimated that there will be an uplift compared to the 2020-21 original budget of £0.5m.
- 13.5 The overall 2021-22 position is summarised below:
- £62.5m collected in year (per 12.1 above)
 - A £0.9m shortfall (£29.8 shortfall in 2020-21 mitigated by grants of £28.9).
 - £0.5m in additional Section 31 grants compared to the 2020-21 original budget.

SECTION C – 2021-22 REVENUE BUDGET

14 COUNCIL TAX AND BUSINESS RATES REPORT SUMMARY

- 14.1 The overall Council Tax and Business Rates position is combined and summarised in the table below. This compares the position set out in this report with the prior estimate contained in the 1 December Executive report.

Table 1: Report Summary

	1 December Executive £000	Report Summary £000
Service Income		
Section 31 Grants	(17,271)	(17,471)
Total Service Income	(17,271)	(17,471)
Council Tax		
Council Tax Collection*	(206,791)	(206,791)
Adult Social Care Precept**	(6,082)	(6,082)
2020-21 deficit spread b/f***	2,333	2,133
Business Rates		
Localised Business Rates	(63,188)	(62,458)
2020-21 Deficit less grants	1,000	924
2020-21 deficit spreading**	333	(616)
Total	(289,666)	(290,361)

*Assumes 1.99% Council Tax increase per Budget Proposals 2021-22

**Adult Social Care Precept 3% per addendum to the Budget Proposals 2021-22

***After spreading across 3 yrs per Budget Proposals 2021-22

- 14.2 As can be seen in table 1, this report implies funding levels consistent with estimated in the 1 December Executive Report. The small variances are not significant at this stage, with the Business Rates collection due to be updated for more recent data.
- 14.3 Further, Central Government has stated that it will fund 75% of Local Authorities Collection Fund deficits (as set out in the addendum to the Budget Proposals 2021-22. The guidance around how this will be calculated is still be published.
- 14.4 The potential implication of this announcement is set out provisionally in the table below:

Table 2: Latest Government Announcement

		1 December Executive £000	Report Summary £000
Total (Table 1)	A	(289,666)	(290,361)
2020-21 deficit b/f (Table 1)		2,666	2,441
75 % Government Funding	B	(2000)	(1,830)
Total Revised	C	(291,666)	(292,191)

- 14.5 A further Central Government announcement indicates there will be a Local Council Tax Support Grant. The purpose of this grant is to compensate Councils directly for the expected higher cost of Council Tax Benefit, as a result of the pandemic. No announcement has been made about how the funding will be distributed. However, this will be additional funding to the Council.

15 LEGAL APPRAISAL

- 15.1 The legal issues have been considered in the body of this report.

16 OTHER IMPLICATIONS

17 EQUALITY & DIVERSITY

- 17.1 None

18 SUSTAINABILITY IMPLICATIONS

- 18.1 None

19 GREENHOUSE GAS EMISSIONS IMPACTS

- 19.1 None

20 COMMUNITY SAFETY IMPLICATIONS

20.1 None

21 HUMAN RIGHTS ACT

21.1 None

22 TRADE UNION

12.1 None

23 WARD IMPLICATIONS

23.1 None

24 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

24.1 None

25 IMPLICATIONS FOR CORPORATE PARENTING

25.1 None

26 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

26.1 None

27 NOT FOR PUBLICATION DOCUMENTS

27.1 None

28 RECOMMENDATIONS

28.1 That the number of Band D equivalent properties for 2021-22 for the whole of the Bradford Metropolitan District is fixed at 142,000 (as set out in Appendix A, line 13 of this report).

28.2 That the Council Tax Base for 2021-22 for each Parish (set out in Appendix B) is approved.

28.3 Further that Bradford's £6.4m share of the anticipated 2020-21 Council Tax deficit is approved, along with the Council's ability to repay this across three future years; also that the latest Government announcement is to repay 75% of this. Also that the Police and Fire share of the deficit (as set out in 7.2) is noted.

28.4 That the latest estimate of the gross shares of Business Rates income for 2021-22, are noted (Appendix C, line w, x & y). These are set out below:

50% is paid to Central Government - £62.5m
1% is paid to the West Yorkshire Fire Authority - £1.3m
49% is retained by the Council - £63.7m

- 28.5 That authority is delegated to the Section 151 officer in consultation with the Leader of the Council to make any necessary amendments to the Business Rates estimate arising from the completion of the 2021-22 NDR1 form and to include the amended figures in the 2021-22 Budget papers for Council.

29 APPENDICES

Appendix A - 2021-22 Council Tax Base

Appendix B – Parish and Town Councils 2021-22 Council Tax base

Appendix C – Provisional NDR1 calculations for 2021-22 (showing a 49% share)

Appendix A

Dwellings on Valuation List	Band @	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Total number of dwellings	167	91,723	46,370	40,026	18,279	12,730	5,960	3,691	272	219,218
2. Exempt properties	0	-2,350	-644	-451	-184	-85	-36	-29	-4	-3,783
3. Taxable properties	167	89,373	45,726	39,575	18,095	12,645	5,924	3,662	268	215,435
4. Discounts	-15	-10,372	-4,012	-2,916	-1,107	-589	-237	-151	-20	-19,419
5. Empty homes scheme	0	1,156	275	179	87	51	15	13	8	1,784
6. Estimated taxable properties after discounts and premiums	152	80,157	41,989	36,838	17,075	12,107	5,702	3,524	256	197,800
Ratio to band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
7. Band D equivalent	84	53,438	32,658	32,745	17,075	14,797	8,236	5,873	512	165,418
8. Estimated impact of Council Tax Reduction Scheme	-31	-12,800	-3,735	-2,209	-639	-287	-75	-32	0	-19,808
9. Growth as band D	22	27	31	36	100	122	58	67	80	543
10. Banding and backdated liability changes	-28	-33	-39	-44	-51	-61	-72	-83	-100	-511
11. Adjustment for losses on collection	-1	-1,016	-723	-763	-412	-364	-204	-147	-12	-3,642
12. 2020-21 Council Tax base (Band D equivalent)	46	39,616	28,192	29,765	16,073	14,207	7,943	5,678	480	142,000

Appendix B

Appendix B				
2021-22 Local Council Tax Bases				
	Starting Council Tax Base Band D Equivalents	CTR impact, Band D Equivalents	Net changes including growth in properties, & bad debt losses Band D Equivalents	Final 2021-22 Council Tax Base Band D Equivalents
ADDINGHAM	1,862	-67	-39	1,756
BAILDON	6,828	-453	-149	6,226
BINGLEY	9,233	-562	-180	8,491
BURLEY	3,163	-97	-69	2,997
CLAYTON	2,777	-298	-56	2,423
CULLINGWORTH	1,394	-85	-32	1,277
DENHOLME	1,297	-129	-20	1,148
HARDEN	872	-19	-14	839
HAWORTH etc	2,561	-190	-28	2,343
ILKLEY	7,541	-202	-148	7,191
KEIGHLEY	17,484	-2,247	-232	15,005
MENSTON	2,277	-51	-51	2,175
OXENHOPE	1,095	-46	-24	1,025
SANDY LANE	956	-63	-22	871
SHIPLEY TC	5,108	-343	-102	4,663
SILSDEN	3,263	-178	-62	3,023
STEETON/EASTBURN	1,893	-81	-43	1,769
WILSDEN	1,864	-90	-35	1,739
WROSE	2,349	-156	-45	2,148
	73,817	-5,357	-1,351	67,109

Appendix C
2021-22 Business Rates Base

Description	Ref.	Comment	2021-22 NDR Tax Base
			£000
Total Rateable Value of Properties on Valuation List	a		-384,204
Forecast Gross Rates Payable	d		-191,718
		(a x 0.499)	
Total Mandatory Relief	e		44,511
Total Unoccupied Property Relief	f		7,392
Total Discretionary Relief Not funded by Section 31 Grant	g		-212
Total Discretionary Relief Funded by Section 31 Grant	h		3,563
Net Rates Payable	i		-136,464
Estimated Losses in Collection (Bad Debts)	j		3,523
Estimated Adjustments due to appeals	k		4,750
Any other changes			
Collectable Rates	l		-128,191
Allowance for Cost of Collection	n		725
2021-22 Business Rates			
Amount retained in total	o		-127,466
Government	p		-63,733
Fire	q		-1,275
Bradford	r		-62,458
2020-21 deficit carried forward			
Anticipated 2020-21 Deficit	s		61,412
Government share of Deficit	t		31,038
Fire share of Deficit	u		614
Bradford share of Deficit	v		29,761
2021-22 Net Business Rates			
Government 2021-22 share	w		-32,695
Fire Authority 2021-22 share	x		-661
Bradford's 2021-22 share	y		-32,698
Net Amount retained in Business Rate Collection Fund			-66,053

